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FEDERAL COMMUNICATIONS COMMISSION  
OFFICE OF THE SECRETARY

DOCKET FILE COPY ORIGINAL

March 17, 2000

96-45

**VIA MESSENGER**

Federal Communications Commission

Accounting and Audits

P.O. Box 358140

Pittsburgh, PA 15251-5140

Re: Joint Petition for Waiver

Ladies and Gentlemen:

Enclosed on behalf of GTE Midwest Incorporated and Spectra Communications Group, LLC, are an original and four copies of a Petition for Waiver of the Definition of "Study Area" Contained in Appendix to Part 36 and Sections 69.3(e)(9) and 61.41(c) of the Commission's rules.

Also enclosed is a Remittance Advice (FCC Form 159) and a check made payable to the Federal Communications Commission in the amount of \$5,960.00 to cover the required filing fee.

Please contact me at (202) 637-2225 if there are any questions concerning this matter.

Very truly yours,



Richard R. Cameron  
of LATHAM & WATKINS

Enclosures

cc: Dorothy T. Attwood  
Lawrence E. Strickling  
Yog Varma  
Irene Flannery

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BEFORE PROCEEDING

FEDERAL COMMUNICATIONS COMMISSION

APPROVED BY OMB 3060-0589

REMITTANCE ADVICE

(1) LOCKBOX # 358140

PAGE NO. \_\_\_\_\_ OF \_\_\_\_\_

SPECIAL USE

FCC USE ONLY

SECTION A - PAYER INFORMATION

(2) PAYER NAME (if paying by credit card, enter name exactly as it appears on your card)

Spectra Communications Group, LLC

(3) TOTAL AMOUNT PAID (dollars and cents)

\$ 5,960.00

(4) STREET ADDRESS LINE NO. 1

8800 Blue Ridge Blvd. Suite 100

(5) STREET ADDRESS LINE NO. 2

Post Office Box 37120

(6) CITY

Kansas City

(7) STATE

MO

(8) ZIP CODE

FEDERAL COMMUNICATIONS COMMISSION  
OFFICE OF THE SECRETARY

(9) DAYTIME TELEPHONE NUMBER (include area code)

(816) 779-5510

(10) COUNTRY CODE (if not in U.S.A.)

APR - 5 2000

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IF PAYER NAME AND THE APPLICANT NAME ARE DIFFERENT, COMPLETE SECTION B  
IF MORE THAN ONE APPLICANT, USE CONTINUATION SHEETS (FORM 159-C)

SECTION B - APPLICANT INFORMATION

(11) APPLICANT NAME (if paying by credit card, enter name exactly as it appears on your card)

Spectra Communications Group, LLC

(12) STREET ADDRESS LINE NO. 1

8800 Blue Ridge Blvd. Suite 100

(13) STREET ADDRESS LINE NO. 2

Post Office Box 37120

(14) CITY

Kansas City

(15) STATE

MO

(16) ZIP CODE

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(17) DAYTIME TELEPHONE NUMBER (include area code)

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(18) COUNTRY CODE (if not in U.S.A.)

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SECTION C - PAYMENT INFORMATION

(19A) FCC CALL SIGN/OTHER ID

Waiver Petition

(20A) PAYMENT TYPE CODE (PTC)

B E A

(21A) QUANTITY

1

(22A) FEE DUE FOR (PTC) IN BLOCK 20A

\$ 5960.00

FCC USE ONLY

(23A) FCC CODE 1

(24A) FCC CODE 2

(19B) FCC CALL SIGN/OTHER ID

(20B) PAYMENT TYPE CODE (PTC)

(21B) QUANTITY

(22B) FEE DUE FOR (PTC) IN BLOCK 20B

FCC USE ONLY

(23B) FCC CODE 1

(24B) FCC CODE 2

(19C) FCC CALL SIGN/OTHER ID

(20C) PAYMENT TYPE CODE (PTC)

(21C) QUANTITY

(22C) FEE DUE FOR (PTC) IN BLOCK 20C

FCC USE ONLY

(23C) FCC CODE 1

(24C) FCC CODE 2

(19D) FCC CALL SIGN/OTHER ID

(20D) PAYMENT TYPE CODE (PTC)

(21D) QUANTITY

(22D) FEE DUE FOR (PTC) IN BLOCK 20D

FCC USE ONLY

(23D) FCC CODE 1

(24D) FCC CODE 2

SECTION D - TAXPAYER INFORMATION (REQUIRED)

(25)

PAYER TIN

0 7 2 1 4 5 1 0 8 2

(26) COMPLETE THIS BLOCK ONLY IF APPLICANT NAME IN B-11 IS DIFFERENT FROM PAYER NAME IN A-2

APPLICANT TIN

0

SECTION E - CERTIFICATION

(27) CERTIFICATION STATEMENT

I, \_\_\_\_\_, Certify under penalty of perjury that the foregoing and supporting information  
(PRINT NAME)

are true and correct to the best of my knowledge, information and belief. SIGNATURE \_\_\_\_\_

SECTION F - CREDIT CARD PAYMENT INFORMATION

(28)

MASTERCARD/VISA ACCOUNT NUMBER:

EXPIRATION DATE:

MASTERCARD

VISA

I hereby authorize the FCC to charge my VISA or MASTERCARD  
for the service(s)/authorization(s) herein described.

AUTHORIZED SIGNATURE

DATE

Before the  
FEDERAL COMMUNICATIONS COMMISSION  
Washington, DC 20554

In the Matter of	)	
	)	
Spectra Communications Group, LLC	)	
and	)	
GTE Midwest Incorporated	)	
	)	
Joint Petition for Waiver of the	)	
Definition of "Study Area" Contained in	)	File No. APD-
Part 36, Appendix – Glossary	)	
of the Commission's Rules and Section 69.3(e)(9)	)	
of the Commission's Rules; and	)	
	)	
Spectra Communications Group, LLC	)	
Petition for Waiver of Section 61.41(c)	)	
of the Commission's Rules	)	

**JOINT PETITION FOR WAIVER**

SPECTRA COMMUNICATIONS  
GROUP, LLC

GTE MIDWEST INCORPORATED

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INCORPORATED

March 17, 2000

## **SUMMARY**

Spectra Communications Group, LLC ("Spectra") and GTE Midwest Incorporated ("GTE Midwest") submit this Joint Petition for Waiver of the Commission's study area boundary freeze and its all-or-nothing price cap rule. Spectra is purchasing 107 local exchanges located in three separate study areas in Missouri (the "Exchanges") from GTE Midwest. GTE Midwest requests a waiver of the study area freeze in order to delete the Exchanges from its Missouri study areas and Spectra correspondingly requests a waiver, to the extent such a waiver is necessary, to combine the Exchanges into a single new study area. Spectra also seeks a waiver of the "all-or-nothing" price cap rule so that it may operate the Exchanges under rate-of-return regulation once Spectra acquires them from GTE Midwest, a price cap carrier.

Spectra is a newly formed venture among Spectronics Corporation, a Georgia-based African American-owned full-service telecommunications contractor that provides telecommunications network engineering, installation, consulting, and construction services; two additional African American investor-managers; CenturyTel, Inc., which specializes in providing high-quality, state-of-the-art telecommunications services to high-cost, low-density rural communities; and Local Exchange Carriers, LLC, a private equity investment company based in Kansas City, Missouri, formed by investors with extensive telecommunications experience. Neither Spectra nor any of its members currently provide telephone services in Missouri, although one of its members, CenturyTel, currently provides high-quality local exchange, voice mail, long distance, Internet, and other services in adjacent states, including Arkansas, Tennessee, and Iowa. After the transfer, customers in the Exchanges will have all the services GTE Midwest currently provides, plus voice mail, local Internet dial-up access, greater access to advanced services, and broader caller ID availability, and an additional choice in long distance

services. This transaction will speed the availability of these services and bring consumers the benefit of a locally-based service provider devoted to serving rural communities.

Additionally, to the extent such a waiver is necessary, a waiver of Part 69 of the Commission's rules is requested to return the 116,149 access lines in the Exchanges to the National Exchange Carrier Association ("NECA") common line pool after their purchase from GTE Midwest. This waiver will not have a significant impact on the NECA pool, and NECA does not object to the waiver. Spectra also intends to return the acquired access lines to the NECA traffic sensitive pool.

The proposed purchase and sale is an arms' length transaction between two unaffiliated companies. The requested waivers will have no impact on the High-Cost Fund, raise no new issues of law, and will serve the public interest, convenience, and necessity.

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### EXHIBITS

Map Showing Locations Of The Exchanges Purchased .....	Exhibit A
List Of Exchanges Purchased And Number Of Access Lines In Each.....	Exhibit B
Letter From John Van Eschen, Manager, Telecommunications, Missouri Public Service Commission, To Lawrence E. Strickling, Chief, Common Carrier Bureau, Federal Communications Commission, Indicating Non-Opposition To Study Area Waiver.....	Exhibit C
Letter From The National Exchange Carrier Association Indicating No Significant Impact On The Common Line Pool .....	Exhibit D

Before the  
FEDERAL COMMUNICATIONS COMMISSION  
Washington, DC 20554

In the Matter of	)	
	)	
Spectra Communications Group, LLC	)	
and	)	
GTE Midwest Incorporated	)	
	)	
Joint Petition for Waiver of the	)	
Definition of "Study Area" Contained in	)	File No. APD-
Part 36, Appendix – Glossary	)	
of the Commission's Rules and Section 69.3(e)(9)	)	
of the Commission's Rules; and	)	
	)	
Spectra Communications Group, LLC	)	
Petition for Waiver of Section 61.41(c)	)	
of the Commission's Rules	)	

**JOINT PETITION FOR WAIVER**

Spectra Communications Group, LLC ("Spectra") is purchasing 107 local exchanges located in three study areas in Missouri (the "Exchanges") from GTE Midwest Incorporated ("GTE Midwest"). Spectra and GTE Midwest jointly submit this petition (i) for a waiver of the definition of "Study Area" contained in the Appendix to Part 36 of the Commission's rules (Glossary), to the extent such a waiver is necessary, to permit Spectra to establish a single new study area in Missouri that will include the Exchanges and to permit GTE Midwest to delete the Exchanges from its Missouri study areas, and (ii) to the extent required by section 69.3(g)(3) of the Commission's rules, a waiver of section 69.3(e)(9) of the Commission's rules so that Spectra may participate in the NECA common line pool. Spectra also seeks a waiver of the "all or nothing" price cap rule set forth at 47 C.F.R. § 61.41(c) so that Spectra may be regulated under the rate-of-return method after it acquires the Exchanges from GTE Midwest,

a price cap carrier. Spectra also intends to return the access lines in the Exchanges to the NECA traffic sensitive pool.

Related to this petition, GTE Midwest has obtained authorization from the Commission under Section 214 of the Communications Act of 1934, as amended (the "Act"),<sup>1</sup> to discontinue providing local exchange and exchange access service in the Exchanges being acquired by Spectra.<sup>2</sup> In addition, both applicants have filed applications under Section 310(d) of the Act seeking the Commission's consent to assign certain microwave and business radio authorizations to Spectra. No Commercial Mobile Radio Service ("CMRS") licenses will be transferred in this transaction and, accordingly, no spectrum cap issues are implicated.

Granting this permission will raise no new issues of law, is supported by Commission precedent, and will serve the public interest. Therefore, GTE Midwest and Spectra respectfully request that the Commission expeditiously review and approve this Petition and grant the waivers requested therein.

## **I. BACKGROUND.**

Spectra is purchasing 107 local exchanges from GTE Midwest.<sup>3</sup> These Exchanges comprise portions of three different study areas, designated as GTE Systems of Missouri ("COCM"), Contel Missouri ("COMO"), and GTE Missouri ("GTMO"). The

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<sup>1</sup> 47 U.S.C. §§ 214(a).

<sup>2</sup> GTE Midwest Incorporated Section 63.71 Application to Discontinue Local Exchange and Exchange Access Service for Certain Exchanges in Missouri, File No. W-P-D-447 (filed Dec. 28, 1999). This application was automatically granted under the Commission's rules on March 6, 2000. See Public Notice, GTE Discontinuance Of Interstate Services In Iowa And Missouri – Applications Granted, Comments Noted, DA 00-507 (rel. March 6, 2000). Spectra has blanket authority to acquire the interstate facilities included in the Exchanges, therefore only GTE Midwest was a party to the Section 214 application. See Implementation of Section 402(b)(2)(A) of the Telecommunications Act of 1996 and Petition for Forbearance of the Independent Telephone & Telecommunications Alliance, CC Docket No. 97-11, Report and Order and Second Memorandum Opinion and Order, FCC 99-104 (rel. June 30, 1999) (eliminating entry procedures and instituting streamlined exit certification procedures under Section 214).

<sup>3</sup> See map attached as Exhibit A.



Exchanges being acquired are located in predominately rural and other low-density areas, and range in size from 63 to 6,179 access lines.<sup>4</sup> Spectra will operate these Exchanges as a single new study area. The sale will include all property and equipment necessary to provide local exchange service in the Exchanges, including approximately 116,149 access lines.<sup>5</sup>

Spectra, which is a new company formed to purchase and operate the Exchanges, is a Delaware limited liability company headquartered in Kansas City, Missouri. It is controlled by Spectronics Corporation and two African American co-investors, Dr. Claude B. Minor, Jr., of Monroe, Louisiana and Dr. Bobby R. Cunningham, of Shreveport, Louisiana, who together will own 100 percent of Spectra's outstanding Common Shares,<sup>6</sup> elect a majority of the board of directors, and control the day-to-day operations of the company. Spectronics Corporation is an African American-owned full service telecommunications contractor headquartered in Atlanta, Georgia, that provides outside plant engineering and construction services, central office engineering, consulting, and installation of telecommunications equipment and customer premises equipment.

CenturyTel and Local Exchange Carriers, LLC will both make a preferred equity investment in the company and have minority board representation. CenturyTel, which specializes in providing high-quality telecommunications and information services to customers predominantly in rural and small town areas, will provide Spectra operational and marketing support, to the extent requested by Spectra's management and Board of Directors.<sup>7</sup>

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<sup>4</sup> Data as of July 14, 1999.

<sup>5</sup> See Exhibit B for a complete list of the Exchanges and the number of access lines in each.

<sup>6</sup> Under the terms of Spectra's LLC Agreement, Spectra has three types of shares: Common Shares, Preferred Shares, and Managerial Shares. Only holders of Common Shares have full voting rights; other shareholders' voting rights are limited to certain extraordinary events specified in the LLC Agreement.

<sup>7</sup> CenturyTel, which is headquartered in Monroe, Louisiana, utilizes state-of-the-art technology to provide integrated communications services including local exchange, exchange access, wireless, long-distance, voice

Local Exchange Carriers, LLC is a private equity investment company based in Kansas City, Missouri. The investors in Local Exchange Carriers, LLC, have substantial telecommunications experience and will provide managerial support to Spectra as requested by the Board of Directors and senior management.

Kenneth Matzdorff, who is slated to be the initial Spectra Director chosen by Local Exchange Carriers, LLC, and Spectra's Chief Operating Officer,<sup>8</sup> has been in the telecommunications business in the state of Missouri for over twenty years. He is a member of the Missouri Public Service Commission telecommunications oversight committee, and a past Board member of the Missouri Telecommunications Industry Association.

The Exchanges represent roughly 25 percent of the approximately 435,384 telephone lines GTE Midwest has in the state of Missouri.<sup>9</sup> GTE Midwest is one-hundred percent owned by GTE Corporation, a New York corporation ("GTE"). Companies controlled by GTE operate 23.5 million access lines in the U.S. and serve customers throughout the United States and on five continents. GTE owns companies which provide a full range of communications services, including local exchange and exchange access service, long-distance telephone service, cellular, video, Internet services and more. GTE has 120,000 employees, and more than \$43 billion in assets. In 1998, GTE Corporation announced plans to merge with Bell Atlantic Corporation.<sup>10</sup>

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mail, data, local Internet access, call center, and security monitoring services to more than two million customers in 21 states. It currently owns rural local exchanges nationwide, very few of which service more than 10,000 access lines. Approximately half of CenturyTel's exchanges serve fewer than 1,000 lines. The majority of CenturyTel's 1.3 million local telephone lines are located in the following states: Wisconsin, Washington, Michigan, Louisiana, Colorado, Ohio, Oregon, and Montana. (Information as of March 31, 1999)

<sup>8</sup> Limited Liability Company Agreement of Spectra Communications Group, LLC, §§ 4.2(a) and 4.8 (July 8, 1999).

<sup>9</sup> Information as of July 1, 1998. See Missouri Public Service Commission Annual Report 1998.

<sup>10</sup> See Press Release, Bell Atlantic and GTE Agree to Merge, July 28, 1998, available at: <http://www.ba.com/nr/1998/Jul/19980728001.html>.

The state of Missouri has approximately 3.3 million access lines, approximately 13 percent of which are currently owned and operated by GTE Midwest, the second largest local exchange carrier (“LEC”) in Missouri. Southwestern Bell Telephone Company is the largest LEC in Missouri, with over 2.4 million access lines.<sup>11</sup> After Spectra acquires the Exchanges, it will own 116,149 lines, or approximately 3.5 percent of the lines in Missouri.

## **II. THE COMMISSION SHOULD WAIVE ITS STUDY AREA FREEZE.**

The Commission should waive its study area boundary freeze to allow GTE Midwest to remove the Exchanges from three of its Missouri study areas and, to the extent such a waiver is necessary, to allow Spectra to consolidate these Exchanges into a single new study area. The transfer of the Exchanges is an arms’ length transaction that fully satisfies the Commission’s long-established test regarding such study area waivers. Indeed, granting this Petition raises no new issues of law, is consistent with recently granted waiver requests,<sup>12</sup> and will serve the public interest.

### **A. The Transfer of Exchanges Is an Arms’ Length Transaction.**

In 1984, the Commission froze study area boundaries in response to concerns related to the level of interstate cost recovery by local exchange carriers (“LECs”) from the Universal Service Fund (“USF”). Specifically, the Commission wanted to prevent LECs from setting up high-cost exchanges within their existing service territories as separate companies in

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<sup>11</sup> Id.

<sup>12</sup> E.g., Petition for Waivers filed by Kendall Telephone, Inc. and Wisconsin Bell, Inc. Concerning Definition of “Study Area” Contained in Part 36 Appendix-Glossary of the Commission’s Rules and Section 61.41(c)(2), 69.3(e)(6), and 69.3(g)(2) of the Commission’s Rules, CC Docket No. 96-45. DA 98-1733, Memorandum Opinion and Order (rel. Sept. 15, 1998) (“Kendall/Wisconsin Study Area Order”); Petition for Waivers Filed by GTE North Inc. and PTI Communications of Michigan, Inc., Memorandum Opinion and Order, 12 FCC Rcd 13,882 (Com. Car. Bur. 1997); Petition for Waivers Filed by Northland Tel. Co. d/b/a/ PTI Communications Inc. and U S West Communications, Inc., Memorandum Opinion and Order, 12 FCC Rcd 13,329 (Com. Car. Bur. 1997) (“Northland/Minnesota Study Area Order”).

order to maximize high-cost support.<sup>13</sup> The Commission did not intend, however, to “discourage the acquisition of high-cost exchanges or the expansion of services to cover high-cost areas.”<sup>14</sup>

The Common Carrier Bureau (the “Bureau”) repeatedly has recognized that “changes in study areas that result in the purchase or sale of exchanges in arms-length transactions” do not conflict with the Commission’s “fundamental concerns” behind the freeze order.<sup>15</sup> Indeed, the Commission has acknowledged that “[t]he frozen study area definition does not work well in situations involving . . . arms’ length sales of exchanges” and is “burdensome” on both parties and the Commission alike and proposed eliminating the rule.<sup>16</sup> The Commission has recognized that failure to waive the rule in the case of the sale of exchanges would produce an absurd result, forcing the seller to continue to include exchanges in its study area for which it has no costs, and preventing the buyer from including in its study area exchanges it actually serves.<sup>17</sup> Such a result would not serve the Commission’s policy objective of ensuring that carriers’ actual costs are reflected in their accounting so that they can accurately set just, reasonable, and non-discriminatory rates.

GTE Midwest’s sale of the Exchanges to Spectra is an arms’ length transaction. There is no relationship whatsoever (neither stock ownership nor common directors or management) between GTE or GTE Midwest, on one hand, and Spectra or any of its underlying

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<sup>13</sup> MTS and WATS Market Structure and Amendment of Part 67 of the Rules and Establishment of a Joint Board, CC Docket Nos. 78-72 and 80-286, 49 Fed. Reg. 48325, 48337 (1984) (“1984 Joint Board Recommendation”). See also U S West Communications, Inc. and Eagle Telecommunications, Inc. Joint Petition for Waiver of the Definition of “Study Area” Contained in Part 36, Appendix – Glossary of the Commission’s Rules, Memorandum Opinion and Order, 10 FCC Rcd 1771, 1773 (1995) (“U S West – Eagle Study Area Order”), recon. denied, 12 FCC Rcd 4644 (1997).

<sup>14</sup> 1984 Joint Board Recommendation, 49 Fed. Reg. at 48, 337.

<sup>15</sup> See, e.g., Contel of the West Petition for Waiver of Section 36.125(f), Sections 36.154(e)(1) and (2), and the Definition of “Study Area” Contained in Part 36, Appendix – Glossary, of the Commission’s Rules, Memorandum Opinion and Order, 5 FCC Rcd 4570, 4571 (Com. Car. Bur. 1990).

<sup>16</sup> Amendment to Part 36 to the Commission’s Rules and Establishment of a Joint Board, Notice of Proposed Rule Making, 5 FCC Rcd 5974, 5975-76 (1990) (“Part 36 NPRM”).

investors, on the other. Because the applicants are unaffiliated, the sale of the Exchanges falls squarely within the rule amendment proposed by the Commission.<sup>18</sup> Allowing GTE Midwest to modify its affected study areas and Spectra to establish a new study area will relieve unaffiliated parties and the Commission of the effects of a burdensome rule without undercutting the Commission's purpose in freezing study area boundaries. Granting the requested waivers is warranted on this basis alone.

**B. The Three-Prong Test for Evaluating Study Area Waiver Petitions Is Satisfied.**

The Commission has established a three-prong test to evaluate petitions for study area waivers. Under that test, "the change [should] not adversely affect the USF support program; . . . the state commission having regulatory authority [should] not object to the change; and . . . the public interest [should support] grant of the waiver."<sup>19</sup> The transfer of the Exchanges from GTE Midwest to Spectra meets each of the requirements of this three-prong test.

**1. The Request Study Area Waivers Will Not Adversely Affect the USF.**

The Commission has expressed concern over the potential impact of study area waivers related to the sale of exchanges on the size of the Universal Service Fund. ("USF").<sup>20</sup> To prevent an "undue adverse effect upon the USF," the Commission adopted an indexed cap on the growth rate of the USF and adopted the "one percent rule," under which:

the transfer at issue and any other transfers involving either carrier . . . may not cause a shift in USF assistance in an amount equal to or greater than one percent of the total USF for the year in which the waiver request is submitted, unless the parties can demonstrate

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<sup>17</sup> Id. at 5976.

<sup>18</sup> See Part 36 NPRM, 5 FCC Rcd at 5975-76.

<sup>19</sup> U S West – Eagle Study Area Order, 10 FCC Rcd at 1772 (footnotes omitted).

<sup>20</sup> Id. at 1773.

extraordinary public interest considerations that would warrant removal of this condition.<sup>21</sup>

Transferring the Exchanges will not have an undue adverse effect on the USF – in fact, it will not have any effect on the USF at all. Under the Commission’s May 7, 1997 Universal Service Order, Spectra will receive exactly the same amount of USF support for the Exchanges that GTE Midwest received before the transfer.<sup>22</sup> Spectra therefore certifies that its acquisition of the Exchanges will not cause a shift in USF assistance in an amount equal to or greater than one percent of the total USF assistance for 1999. Indeed, this transaction should have no impact on the current USF at all.<sup>23</sup> For reference, in 1999, GTE Midwest is receiving \$2.6 million annually in explicit high cost universal service support from the existing universal service support mechanism for the lines involved in this transaction, including \$35.93 per line in the GTE Systems of Missouri (COCM) study area, \$17.92 per line in the Contel Missouri (COMO) study area, and \$13.86 per line in the GTE Missouri study area (GTMO).

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<sup>21</sup> Id. at 1774; see also Amendment of Part 36 of the Commission’s Rules and Establishment of a Joint Board, Recommended Decision, 9 FCC Rcd 334 (1993) (recommending indexed cap on USF growth); id., Report and Order, 9 FCC Rcd 303 (1993) (adopting indexed cap); Federal-State Joint Board on Universal Service, Recommended Decision, 11 FCC Rcd 7928 (1996) (recommending indexed cap be extended until completion of universal service rulemaking); id., Report and Order, 11 FCC Rcd 7920 (1996) (adopting extension of indexed cap).

<sup>22</sup> 47 C.F.R. § 54.305; Federal-State Joint Board on Universal Service, Report and Order, CC Docket No. 96-45, 12 FCC Rcd 8776, 8943 (1997) (“Universal Service Order”) (“[A] carrier making a binding commitment on or after May 7, 1997 to purchase a high-cost exchange should receive the same level of support per line as the seller received prior to the sale.”). See also Petition for Waivers filed by TelAlaska, Inc. and TelHawaii, Inc. Concerning Sections 36.611, 36.612, 61.41(c)(2) and the Definition of “Study Area” Contained in the Part 36 Appendix-Glossary of the Commission’s Rules, Memorandum Opinion and Order, 12 FCC Rcd 10309, 10312 (Com. Car. Bur. 1997) (“TelAlaska/TelHawaii Order”).

<sup>23</sup> Eventually, universal service support for all carriers will be based on a forward-looking economic cost methodology, which will allow carriers to receive support for all high-cost exchanges, including exchanges acquired from other carriers, based on the forward-looking cost methodology. Universal Service Order, 12 FCC Rcd at 8943. Because the level of support Spectra will receive in the future will be based on forward-looking economic costs rather than embedded costs or the size of its study area, the possibility that Spectra may obtain support in the future cannot be, and is not, a driving factor behind the decision to purchase the Exchanges. See id.; see also TelAlaska/TelHawaii Order, 12 FCC Rcd at 10316-17.

**2. The Missouri Public Service Commission Does Not Oppose the Study Area Waiver Requests.**

The second prong of the test is that the state regulatory agency having authority over the exchanges to be transferred does not object to the requested study area changes.<sup>24</sup>

Spectra and GTE Midwest have sought and obtained the consent of the Missouri Public Service Commission (Missouri Commission) to the proposed sale of the Exchanges. The Missouri Commission has written a letter to the Commission's Common Carrier Bureau indicating that it does not oppose the grant of the requested study area waivers for GTE Midwest and Spectra.<sup>25</sup> Therefore, the second prong of the test is satisfied.

**3. Granting the Requested Study Area Waivers Will Serve the Public Interest.**

The transfer of the Exchanges from GTE Midwest to Spectra will promote the public interest because it will provide the customers of the Exchanges with additional and improved services. Over the past three years, GTE Midwest has invested over \$105 million to upgrade its Missouri networks, and the Exchanges acquired include 100 percent digital plant with more than 700 route miles of fiber. Due to the already excellent quality of the facilities, Spectra quickly will be able to provide customers in the Exchanges with additional services such as Internet access, voice mail, and broader caller ID availability. Customers in the Exchanges would not have these benefits in this time frame, but for this transaction.

In addition, Spectra will provide improved customer services because Spectra is a local company, headquartered in Missouri, providing service exclusively to rural and low-density areas. This local perspective will permit Spectra to be more responsive to customer needs within

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<sup>24</sup> U S West – Eagle Study Area Order, 10 FCC Rcd at 1772.

Missouri, currently the sole focus of Spectra's services. In addition, Spectra, although a new company, is backed by the proven expertise of CenturyTel in serving rural and low-density communities such as those served by the Exchanges. As noted previously, CenturyTel has a proven track record of providing advanced telecommunications services, including voice mail, data, and local Internet access, to low-density communities throughout the United States, and will make this expertise available to Spectra through operational and marketing support. Spectra employees will live and work in the communities they serve, and will benefit from CenturyTel's proven commitment to a strong community presence in the areas it serves. All of the 142 current GTE Midwest employees currently involved in the transaction have been offered positions with Spectra, and Spectra anticipates creating additional positions for a substantial number of new employees in the future.

For the foregoing reasons, the Commission should find that the grant of the requested study area waivers will serve the public interest. The waivers will permit GTE Midwest and Spectra to consummate a transaction that will produce benefits for consumers and operating efficiencies for the companies, without effect on the high-cost fund.

### **III. THE COMMISSION SHOULD WAIVE ITS ALL-OR-NOTHING RULE.**

Section 61.41(c)(2) of the Commission's rules, commonly known as the "all-or-nothing" rule, provides that when a non-price cap company acquires a price cap company, or any part thereof, the acquiring company shall become subject to price cap regulation.<sup>26</sup> Applying the all-or-nothing rule in this case would subject Spectra to price cap regulation because GTE Midwest is a price cap company. Spectra therefore seeks a waiver of the all-or-nothing rule to

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<sup>25</sup> A letter of non-opposition from John Van Eshen, Manager, Telecommunications, Missouri Public Service Commission, to Lawrence E. Strickling, Chief, Common Carrier Bureau, Federal Communications Commission, is attached as Exhibit C.

<sup>26</sup> 47 C.F.R. § 61.41(c)(2).



permit it to operate the Exchanges under cost-of-service regulations. Applying the all-or-nothing rule in this case would not serve any of the purposes for which the rule was adopted and would contradict the public interest.

The Commission adopted the all-or-nothing rule to remove the incentive of a telephone holding company to engage in improper cost-shifting between affiliates, or to “game the system” by switching between rate-of-return and price cap regulation.<sup>27</sup> Without the all-or-nothing rule, a LEC could shift its costs from its price cap affiliate to its rate-of-return affiliate. Because the rate-of-return affiliate’s costs would be higher, the Commission reasoned, it would earn more revenue, and charge higher rates, while the revenue of the price cap affiliate would remain unaffected. In addition, the Commission was concerned that, if allowed to convert from price caps to rate-of-return regulation, a LEC might build up a large, inefficient base under rate-of-return regulation and then revert to price caps, cutting its costs to an efficient level without appropriate price reductions. However, in adopting the all-or-nothing rule, the Commission noted that it would entertain waivers of the rule because, “in some cases, the efficiencies created by the purchase and sale of one or two exchanges may outweigh the threat of ‘gaming the system.’”<sup>28</sup>

There is good cause to grant Spectra a waiver of the all-or-nothing rule. Neither of the two concerns cited by the Commission applies here. First, cost-shifting is not an issue

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<sup>27</sup> Policy and Rules Concerning Rates for Dominant Carriers, Second Report and Order, 5 FCC Rcd 6786, 6819 (1990) (“LEC Price Cap Order”), Erratum, 5 FCC Rcd 7664 (Com. Car. Bur. 1990); modified on recon., Order on Reconsideration, 6 FCC Rcd 2637 (1991) (“LEC Price Cap Reconsideration Order”), aff’d sub nom. National Rural Telecom Ass’n v. FCC, 988 F.2d 174 (D.C. Cir. 1993), petitions for further recon. dismissed, 6 FCC Rcd 7482 (1991), further modification on recon., Amendments of Part 69 of the Commission’s Rules Relating to the Creation of Access Charge Subelements for Open Network Architecture. Policy and Rules Concern Rates for Dominant Carriers, Report and Order and Order on Further Reconsideration and Supplemental Notice of Proposed Rulemaking, 6 FCC Rcd 4524 (1991), further recon., Memorandum Opinion and Order on Second Further Reconsideration, 7 FCC Rcd 5235 (1992).

<sup>28</sup> LEC Price Cap Reconsideration Order, 6 FCC Rcd at 2706 n.207.

because, as discussed above, GTE Midwest and Spectra are not affiliates, nor does Spectra seek to maintain separate affiliates under different systems of rate regulation.<sup>29</sup> As the Commission held in conjunction with its grant of a price cap waiver in the recent ALLTEL/Aliant merger, “if all [of a company’s] affiliates are subject to rate-of-return regulation, there is neither the incentive nor the opportunity to shift costs between price cap and rate-of-return companies.”<sup>30</sup> Second, Commission approval would be necessary for the Exchanges to be returned to price cap regulation, and the Commission would have ample opportunity to review such a transaction at that time.<sup>31</sup> In short, this transaction does not raise any of the concerns that led the Commission originally to adopt the all-or-nothing rule.

Furthermore, the Commission always has been sensitive to the administrative burdens imposed on small telephone companies, such as Spectra, by the application of its rules.<sup>32</sup> The Commission implemented price cap regulation as an incentive to encourage efficiencies and promote competitiveness, but it is mandatory only for the Bell Operating Companies and GTE Operating Companies, because those companies share similarities that support the use of price cap regulation – geographic diversity, large subscriber bases, high activity levels in both regulated and unregulated markets, and access to national markets. In its LEC Price Cap Order,

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<sup>29</sup> Furthermore, none of Spectra’s underlying investors (including CenturyTel or any of its affiliates) operates under price cap regulation.

<sup>30</sup> ALLTEL Corp. Petition for Waiver of Section 61.41 of the Commission’s Rules and Applications for Transfer of Control, CCB/CPD No. 99-1, Memorandum Opinion and Order, FCC 99-156, ¶ 27 (rel. Sept. 3, 1999) (“ALLTEL/Aliant Merger Order”).

<sup>31</sup> See Northland/Minnesota Study Area Order, 12 FCC Rcd at 13,335 (“[W]e find it unlikely that the petitioners could game the system by moving the exchanges back and forth between price cap and other forms of regulation, because the petitioners would require a second study area waiver.”). See also The Island Telephone Co. et al. Petition for Waiver of the Definition of “Study Area” Contained in Part 36, Appendix – Glossary, of the Commission’s Rules, 7 FCC Rcd 6382, 6383 (Com. Car. Bur. 1992) (“Island Study Area Order”) (“Except for the exchanges it has sold to Island/TDS, Contel remains regulated under price caps; it retains no ability to bring these exchanges back under price caps.”).

<sup>32</sup> See ALLTEL/Aliant Merger Order, ¶ 34 (“[T]he Commission has always been sensitive to the special needs of the small LECs.”).

the Commission recognized that small telephone companies should not be forced into a regulatory regime that was based on the historical performance of the largest telephone companies, and it therefore made price cap regulation optional for all other companies.<sup>33</sup>

Following its acquisition of the Exchanges, Spectra will have only about 3.5 percent of the access lines in Missouri; the Commission has determined that it would be inappropriate to subject this kind of small carrier to price cap regulation.<sup>34</sup> Moreover, in balancing the benefits to be gained under price cap regulation against the costs that would be incurred by Spectra, the public interest is better served by granting the requested waiver. As a result, the Commission has consistently granted waiver of the all-or-nothing rule in similar circumstances,<sup>35</sup> recognizing that it “must take into account the companies’ preference, particularly for small carriers.”<sup>36</sup> Here, Spectra’s preference is to operate under rate-of-return regulation.

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<sup>33</sup> See LEC Price Cap Order, 5 FCC Rcd at 6818. The Applicants recognize that granting the requested waiver would be conditioned upon GTE’s making an exogenous cost adjustment to its price cap indices to reflect the change in its study areas. See LEC Price Cap Performance Review, First Report and Order, 10 FCC Rcd 8961, 9104-06 (1995).

<sup>34</sup> See, e.g., ALLTEL/Aliant Merger Order, ¶ 35 (granting price cap waiver in spite of the fact that ALLTEL was a “mid-sized” LEC because “ALLTEL’s properties are scattered largely in small to mid-sized towns and cities in 22 states and ALLTEL is therefore, unlike any of the large BOCs, and more similar to smaller carriers”); Northland/Minnesota Study Area Order, 12 FCC Rcd at 13,335 (“Northland is the type of mid-size ILEC which the Commission has found to be an inappropriate candidate for price cap regulation.”).

<sup>35</sup> See, e.g., Kendall/Wisconsin Study Area Order, CC Docket No. 96-45; Waivers Filed by Columbine Telephone Company, Inc., Silver Star Telephone Company, Inc., and U S West Communications, Inc. Concerning Section 61.41(c)(2) and 69.3(e)(11) and the Definition of “Study Area” Contained in the Part 36 Appendix-Glossary of the Commission’s Rules, Memorandum Opinion and Order, 12 FCC Rcd 3622 (Com. Car. Bur. 1997); Petitions for Waivers Filed by Alpine Communications, L.C., Bulter-Breme Mutual Telephone Co., Clarksville Telephone Co., Dumont Telephone Co., Grand River Mutual Telephone Corp., Heartland Telecommunications Company of Iowa, Hickory Tech Corp., South Central Communications, Inc., Universal Communications, Inc. and U S West Communications, Inc., Memorandum Opinion and Order, 12 FCC Rcd 2367 (Com. Car. Bur. 1997); U S West – Eagle Island Study Area Order, 10 FCC Rcd at 1775.

<sup>36</sup> ALLTEL/Aliant Merger Order, ¶ 35 (“In previous waiver requests, the Common Carrier Bureau has taken into account the company’s preference and in particular the preference of small carriers for waivers of sections 61.41(c)(1), (2), and (d) of our rules.”); see also Island Study Area Order, 7 FCC Rcd at 6383.

In sum, waiver of the all-or-nothing rule in this instance poses no threat to the Commission's rate regulation and public interest goals, and will allow the sale of these exchanges to be consummated without forcing Spectra into an inappropriate system of price regulation.

**IV. THE COMMISSION SHOULD GRANT A PART 69 WAIVER TO PERMIT THE INCLUSION OF THESE ACCESS LINES IN THE NECA COMMON LINE POOL.**

To the extent required by Section 69.3(g)(3) of the Commission's rules, a waiver of Section 69.3(e)(9) of the Commission's rules is requested so that the 116,149 access lines it is acquiring may be included in the NECA common line pool. Under Section 69.3(g)(3), a telephone company involved in an acquisition that wishes to have more than 50,000 common lines reenter the NECA common line pool must request a waiver of the Commission's "all-or-nothing" rule under Section 69.3(e)(9). As is currently the case, after closing this transaction, GTE Midwest will have no lines in the NECA common line pool. Spectra, in contrast, plans to include all of its lines in the NECA common line pool. To the extent that section 69.3(g)(3) so requires, GTE Midwest and Spectra request a waiver of Section 69.3(e)(9) so that Spectra may include all of its access lines in the NECA common line tariff.

Section 69.3(g)(3) was adopted in 1989 as an outgrowth of the changes made by the Commission that year to the (formerly mandatory) common line pooling arrangements that governed the LECs' recovery of non-traffic-sensitive costs.<sup>37</sup> When the Commission decided to permit any LEC to withdraw from the NECA common line tariff and pool, and file common line tariffs based on its own costs, the Commission also required that a LEC choosing to leave the

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<sup>37</sup> Amendment of Part 69 of the Commission's Rules Relating to the Common Line Pool Status of Local Exchange Carriers Involved in Mergers or Acquisitions, Report and Order, 5 FCC Rcd 231 (1989) ("Common Line Pool Order").

NECA common line pool remove *all* of its study areas, and a holding company remove *all* of its affiliates, from the pool.<sup>38</sup> In addition, the Commission made this a “one way” election – once a LEC or group of affiliated LECs leaves the pool, it may not return at a later date.<sup>39</sup> The Commission recognized, however, that when a LEC acquires another LEC or LEC facilities, the acquired entity may have a different pooling status from that of the acquiring LEC. The Commission acknowledged that uniformity in regulatory treatment and pooling status is desirable.<sup>40</sup> Accordingly, the Commission found some flexibility should be afforded, with appropriate safeguards, so that LECs would not be unduly deterred from negotiating an otherwise desirable transaction.<sup>41</sup>

The Commission stated that any rules in this area should be as neutral as possible in terms of their effect on the underlying business decisions, should not adversely affect the marketability of small LECs, and should not impede transactions that offer legitimate advantages to the LECs and consumers involved.<sup>42</sup> The Commission noted, “this is an area in which some flexibility would enable the acquiring or surviving LEC to consolidate its operations and to take advantage of the benefits of participation in the NECA common line pool and tariff if that is deemed best for the LEC and its customers.”<sup>43</sup> Accordingly, the Commission set the threshold for a waiver at 50,000 access lines.<sup>44</sup>

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<sup>38</sup> 47 C.F.R. § 69.3(e)(9).

<sup>39</sup> 47 C.F.R. § 69.3(i)(3), (4). See MTS and WATS Market Structure, Amendment of the Commission’s Rules and Establishment of a Joint Board, Order on Reconsideration, 3 FCC Rcd 4543, 4557 n.17 (1988), aff’d sub nom. Public Service Comm’n of the District of Columbia v. FCC, 897 F.2d 1168 (D.C. Cir. 1990).

<sup>40</sup> Common Line Pool Order, 5 FCC Rcd at 245.

<sup>41</sup> Id. at 235 (citing Amendment of Part 69 of the Commission’s Rules Relating to the Common Line Pool Status of Local Exchange Carriers Involved in Mergers or Acquisitions, Notice of Proposed Rule Making, 4 FCC Rcd 740 (1989) (“Common Line Pool Notice”).

<sup>42</sup> Common Line Pool Order, 5 FCC Rcd at 233; Common Line Pool Notice, 4 FCC Rcd at 741.

<sup>43</sup> Common Line Pool Order, 5 FCC Rcd at 243.

<sup>44</sup> Id. at 244.

GTE Midwest withdrew the Exchanges (together with the rest of the exchanges in its study areas) from the NECA common line pool on April 1, 1989. The Commission has acknowledged that carriers that left the pool did so based on factors that made sense for them, such as the fact that their costs have declined sufficiently that they could forego long-term support (“LTS”), recover their costs, and still charge a lower interstate carrier common line charge than NECA.<sup>45</sup> That choice was appropriate for GTE Midwest. It is not appropriate, however, for Spectra, and should not be used to bar Spectra from receiving LTS-type support in the future. As the Commission has acknowledged, the rule should not operate to impede a transaction that offers legitimate advantages, described above, to the carriers and consumers involved.

The reentry of the Exchanges into the common line pool will have no substantial adverse effect on the NECA common line pool, or on non-pooling LECs. Since the Commission established the waiver standard in the Common Line Pool Order<sup>46</sup>, the burden of long-term support and transitional support for common line pool LECs has shifted from the non-pooling LECs to a far broader spectrum of telecommunications providers. Beginning January 1, 1998, support for rural carriers is funded, and rural carriers receive payments comparable to long-term support, through the newly-explicit universal service support mechanism, adopted by the Commission as part of its implementation of Section 254 of the Act.<sup>47</sup> Thus, the non-pooling LECs will bear no special burden because of the return of these Exchanges into the common line pool. Moreover, Spectra believes that no entity will experience a significant increase in its

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<sup>45</sup> Federal-State Joint Board on Universal Service, Fourth Order on Reconsideration, 13 FCC Rcd 5318, 5362 (1997).

<sup>46</sup> Id.

<sup>47</sup> Universal Service Order, 12 FCC Rcd at 9165.

universal service obligation if this waiver is granted, because the impact on the revenue requirement for the NECA common line pool is expected to be insignificant. Specifically, Spectra believes that, based on current NECA pooling data and projected demand and cost data, Spectra's acquisition of the Exchanges would produce only a *de minimis* impact on the common line pool revenue requirement. Spectra has informed NECA of its intent to return these lines to the common line pool, and NECA has analyzed the potential common line pool impact due to the acquired Arkansas study areas reentering the pool. NECA concurs in Spectra's assessment. In particular, NECA has advised Spectra in writing that it anticipates that the net impact on the pool will be insignificant and will cause a change of less than one percent in the overall common line pool revenue requirement.<sup>48</sup> Therefore, a waiver of the all-or-nothing rule set forth in Section 69.3(e)(9), as required by Section 69.3(g)(3), should be granted to allow Spectra to include the acquired access lines in the NECA common line pool.

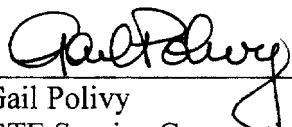
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<sup>48</sup> See Letter from Romita Biswas, Manager, Rate Development, NECA, to Kenneth Matzdorff, Spectra Communications Group, LLC, dated March 16, 2000 (attached as Exhibit D).

## V. CONCLUSION

For all of the foregoing reasons, Spectra and GTE Midwest respectfully request that the requested waivers be expeditiously granted.

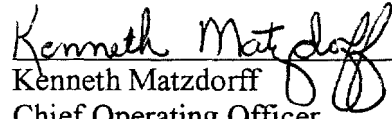
Respectfully Submitted:

A handwritten signature in cursive script, appearing to read "Gail Polivy", is written over a horizontal line.

Gail Polivy  
GTE Service Corporation  
1850 M Street, N.W., Suite 1200  
Washington, D.C. 20036  
(202) 463-5214

Counsel for GTE Midwest Incorporated





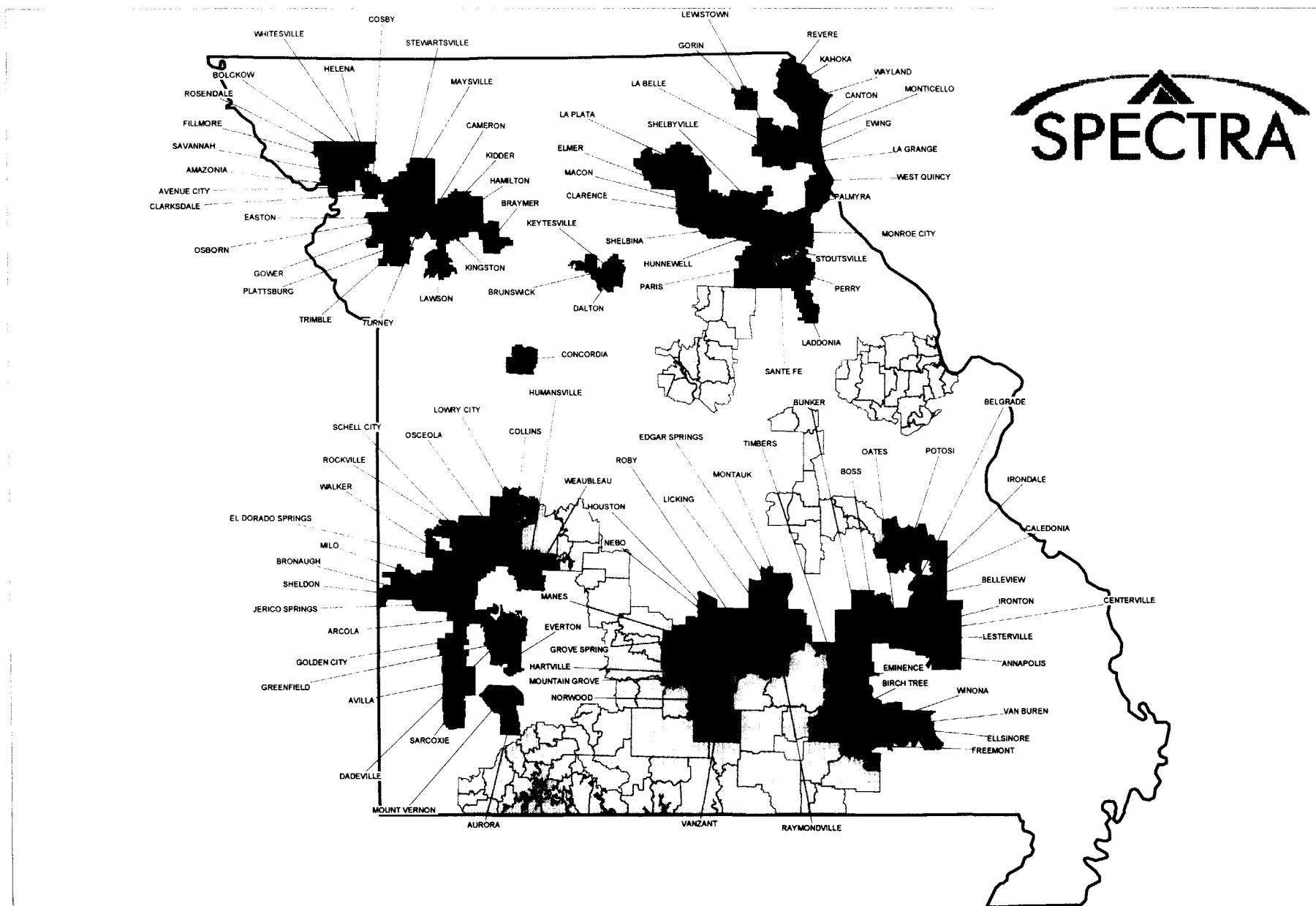
Kenneth Matzdorff  
Chief Operating Officer  
Spectra Communications Group, LLC  
P.O. Box 37120  
8800 Blue Ridge Boulevard, Suite 100  
Kansas City, Missouri 64138  
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Karen Brinkmann  
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1001 Pennsylvania Avenue, Suite 1300  
Washington, D.C. 20004  
(202) 637-2200

Counsel for Spectra Communications Group, LLC

**EXHIBIT A: MAP SHOWING LOCATIONS OF THE EXCHANGES PURCHASED**

# MISSOURI TRANSACTION



**SPECTRA**

## GTE Missouri Exchanges to be Purchased

### GTE Remaining Exchanges

**EXHIBIT B: LIST OF EXCHANGES PURCHASED AND NUMBER OF ACCESS LINES IN EACH**

## GTE SYSTEMS OF MISSOURI EXCHANGES PURCHASED

<u>EXCHANGE NAME</u>	<u>COSA CODE</u>	<u>1998 ACCESS LINES</u>
Aurora	COCM	5,142
Brunswick-Triplett	COCM	861
Canton	COCM	1,743
Clarence	COCM	925
Dalton	COCM	63
Ewing	COCM	364
Houston	COCM	3,255
Hunnewell	COCM	204
Keytesville	COCM	575
Lagrange	COCM	843
Lewistown	COCM	347
Monroe City	COCM	2,371
Monticello	COCM	244
Mount Vernon	COCM	3,930
Mountain Grove	COCM	4,255
Palmyra	COCM	2,973
Paris	COCM	1,573
Raymondville	COCM	468
Shelbina	COCM	1,755
Shelbyville	COCM	571
West Quincy	COCM	<u>247</u>

**TOTAL GTE SYSTEMS OF MISSOURI LINES PURCHASED:**  
**32,709**

# **CONTEL MISSOURI EXCHANGES PURCHASED**

<u>EXCHANGE NAME</u>	<u>COSA CODE</u>	<u>1998 ACCESS LINES</u>
Annapolis	COMO	805
Arcola	COMO	222
Avilla	COMO	574
Belgrade	COMO	447
Belleview	COMO	394
Birch Tree	COMO	1,005
Boss	COMO	332
Bronaugh	COMO	404
Bunker	COMO	661
Caledonia	COMO	516
Centerville	COMO	250
Concordia	COMO	2,087
Dadeville	COMO	388
Edgar Springs	COMO	882
Eldorado Springs	COMO	4,284
Ellsinore	COMO	923
Elmer	COMO	148
Eminence	COMO	1,103
Everton	COMO	516
Freemont	COMO	161
Golden City	COMO	895
Gorin	COMO	156
Greenfield	COMO	1,531
Grove Spring	COMO	602
Hartville	COMO	1,438
Irondale	COMO	527
Ironton	COMO	3,608
Jerico Springs	COMO	482
La Belle	COMO	276
La Plata	COMO	1,353
Laddonia	COMO	491
Lesterville	COMO	379
Licking	COMO	2,302
Manes	COMO	560
Milo	COMO	508
Montauk	COMO	253
Nebo	COMO	390
Norwood	COMO	903
Oates	COMO	364
Perry	COMO	937
Potosi	COMO	6,179
Revere	COMO	194
Roby	COMO	1,014
Rockville	COMO	380
Santa Fe	COMO	152
Sarcoxie	COMO	1,740
Schell City	COMO	493
Sheldon	COMO	656
Stoutsville	COMO	137
Timbers	COMO	145
Van Buren	COMO	1,499
Vanzant	COMO	457
Walker	COMO	337
Winona	COMO	962

**Total Contel Missouri Lines Purchased:**

**48,402**

## GTE MISSOURI EXCHANGES PURCHASED

<u>EXCHANGE NAME</u>	<u>COSA CODE</u>	<u>1998 ACCESS LINES</u>
Amazonia	GTMO	358
Avenue City	GTMO	398
Bolckow	GTMO	219
Braymer	GTMO	756
Cameron	GTMO	4,744
Clarksdale	GTMO	308
Collins	GTMO	508
Cosby	GTMO	132
Easton	GTMO	296
Fillmore	GTMO	243
Gower	GTMO	1,136
Hamilton	GTMO	1,466
Helena	GTMO	270
Humansville	GTMO	1,269
Kahoka	GTMO	1,896
Kidder	GTMO	391
Kingston	GTMO	476
Lawson	GTMO	2,385
Lowry City	GTMO	1,219
Macon	GTMO	4,715
Maysville	GTMO	1,492
Osborn	GTMO	348
Osceola	GTMO	1,695
Plattsburg	GTMO	1,948
Rosendale	GTMO	294
Savannah	GTMO	3,585
Stewartsville	GTMO	593
Trimble	GTMO	321
Turney	GTMO	144
Wayland	GTMO	819
Weaubleau	GTMO	448
Whitesville	GTMO	166
<b>Total GTE Missouri Lines Purchased:</b>		<b><u>35,038</u></b>
<b>GRAND TOTAL</b>		<b><u>116,149</u></b>

**EXHIBIT C: LETTER FROM JOHN VAN ESCHEN, MANAGER,  
TELECOMMUNICATIONS, MISSOURI PUBLIC SERVICE  
COMMISSION TO LAWRENCE E. STRICKLING, CHIEF  
COMMON CARRIER BUREAU, FEDERAL COMMUNICATIONS  
COMMISSION, INDICATING NON-OPPOSITION TO STUDY  
AREA WAIVER**





Commissioners

SHEILA LUMPE  
Chair

HAROLD CRUMPTON

CONNIE MURRAY

ROBERT G. SCHEMENAUER

M. DIANNE DRAINER  
Vice Chair

## Missouri Public Service Commission

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October 18, 1999

GORDON L. PERSINGER  
Acting Executive Director  
Director, Research and Public Affairs

WESS A. HENDERSON  
Director, Utility Operations

ROBERT SCHALLENBERG  
Director, Utility Services

DONNA M. KOLILIS  
Director, Administration

DALE HARDY ROBERTS  
Secretary/Chief Regulatory Law Judge

DANA K. JOYCE  
General Counsel

Federal Communications Commission  
Mr. Lawrence E. Strickling, Chief  
Common Carrier Bureau  
445 12 Street, SW  
Washington, DC 20554

RE: Spectra Communications Group LLC's Request for Study Area Waiver

Dear Mr. Strickling:

This is written in response to a request from Spectra Communications Group LLC (Spectra) which is a party to a transaction involving the acquisition of certain Missouri exchanges from GTE Midwest Incorporated, currently under consideration by the Missouri Public Service Commission in Case No. TM-2000-182. We have been informed that Spectra intends to request an interstate study area waiver from the Federal Communications Commission (FCC) in association with this acquisition. Pursuant to the Common Carrier Bureau's order issued June 21, 1995, in dockets DA 95-1403 and AAD 95-78, local exchange carriers shall file with the FCC as part of any petition for a waiver of a study area boundary, a state certificate or other valid document that demonstrates that the affected state commission does not object to a proposed reconfiguration of study area boundaries.

This is written to confirm that the Missouri Public Service Commission does not object to the granting of an interstate study area waiver to Spectra. The Commission does not prejudge the effect, if any, such a waiver may have upon the intrastate operations of the company, and, thus, reserves the right to review the issue further and to take whatever steps are necessary to assure that the waiver of the study area rules, if granted, does not adversely affect the public interest in Missouri.

It is the Commission's intent that this statement be accepted as compliance with the requirement set forth in the Common Carrier Bureau's order issued June 21, 1995 (DA 95-1403 and AAD 95-78). Questions or comments may be directed to me at the Missouri Public Service Commission.

Sincerely,

John Van Eschen, Manager  
Telecommunications

JVE/ms

**EXHIBIT D: LETTER FROM THE NATIONAL EXCHANGE CARRIER ASSOCIATION  
INDICATING NO SIGNIFICANT IMPACT ON THE COMMON LINE POOL**



80 South Jefferson Road  
Whippany, NJ 07981

Romita Biswas  
Manager - Rate Development

Voice: 973-884-8187  
Fax: 973-884-8469  
E-mail: rbiswas@ncca.org

March 16, 2000

Kenneth Matzdorff  
Spectra Communications Group, LLC  
P.O.Box 37120  
8800 Blue Ridge Parkway  
Suite 100  
Kansas City, MO 64138

Dear Mr. Matzdorff:

I completed a NECA Common Line Pool impact analysis of the GTE properties recently acquired by Spectra Communications Group, LLC. The analysis is based on current pooling data and the acquisition demand and costs data supplied.

The acquisition of approximately 116 thousand access lines will have costs that exceed the projected revenue by about \$7.26 million, which represents 0.53% of the total common line pool revenue requirement (\$1.37 billion). Since this represents less than one percent of the total revenue requirement, it is not considered a significant impact.

Please feel free to contact me if you have any questions or concerns about the analysis.

Sincerely,

Romita Biswas

CC: B.Cook  
Pat Chrigo  
Victor Glass